

MASTER COMMISSIONER FAQ SHEET

1. What Is FICA?

The Federal Insurance Contributions Act is a Federal Law that assesses Social Security and/or Medicare Taxes. The combined tax rate for 2011 is 5.65% with the breakdown as follows: Social Security (Retirement, Survivors, and Disability) at 4.2% and Medicare (Hospital Insurance) at 1.45%.

The combined tax rate (employer and employee share) is 13.3%.

2. Why does the State of Kentucky match FICA for Master Commissioners?

Based on two legal precedents, (*Shamburger v. Commonwealth*, Ky, 240 S.W.2d 636 (1951) and an October 7, 1953 OAG Letter), the Master Commissioner has been viewed as an employee of the Commonwealth for Social Security purposes. In keeping with the Section 218 Agreement of the Social Security Act, Section 218(b)(3), the term “employee” includes an officer of a State or political subdivision.

The Internal Revenue Code – Section 3401(c) defines “employee” as an officer, employee, or elected official of the United States, a State, or any political subdivision thereof, or the District of Columbia, or an agency or instrumentality of any one or more of the foregoing

Since the positions of Master Commissioner are considered employees for Social Security purposes, the Social Security Coverage and Reporting Branch has the responsibility to report FICA wages for Master Commissioners. As of July 1, 2005, the Administrative Office of the Courts (AOC) is responsible for the matching of FICA wages.

3. Who sets the maximum amounts for Master Commissioner Wages?

The AOC is responsible for determining the maximum amounts for Master Commissioner Wages. Our database resets the maximum wage at the

beginning of each calendar year to \$48,000 for Master Commissioners and \$96,000 for Master/Domestic Relations Commissioners until we are notified in writing from the AOC that the maximum wage has been increased for the current year.

4. What are the allowable deductions from gross wages as it concerns Social Security and Medicare?

If you are participating in Kentucky Employee Retirement Systems (KERS), you are allowed to deduct the 5% contribution from your gross wage. For example, if your monthly gross wage is \$1,000, after deducting the 5% for KERS ($\$1,000 - 5\% = \950) you will pay Social Security and Medicare taxes on \$950 and the Commonwealth will match the FICA on the \$950.

If you participate in the State's Health Insurance Plan, you may also deduct the employee's premium.

5. If my maximum is \$48,000, why then if I am participating in KERS is my maximum for FICA \$46,500?

You are allowed the 5% for allowable tax deductions while participating in KERS. Therefore, your taxable wage becomes \$46,500. We will report your taxable wage. However, your gross maximum is still \$48,000.

6. Are individuals who are Special Master Commissioners eligible for FICA matching?

No. If a person has not been appointed a Master Commissioner, then the status of a Special Master Commissioner is considered an independent contractor. Since special commissioners are specifically used in temporary, special circumstances and are not in the same relationship as an appointed Master Commissioner.

However, if you are an appointed Master Commissioner assigned to do "special" work in another county, the fees generated shall be treated as follows:

- a. The first \$5,000 earned annually from service as a Special Master Commissioner **shall not** count toward the Master Commissioner's salary cap, and **should not** be reported to the AOC on the Annual Report of Master Commissioner or to the Social Security Coverage and Reporting Branch on the monthly Forms SS-16 or SS-16a.
- b. Any fees in excess of \$5,000 earned annually from service as a Special Master Commissioner **shall** count toward the Master Commissioner's salary cap, and **shall** be reported on the Annual Report of Master Commissioner and the monthly Forms SS-16 or SS-16a. For example, if \$5,100 is earned as a Special Master Commissioner, \$100 can be reported. This \$100 counts toward the maximum wage.

7. Who else can receive FICA matching in a Master Commissioner's Office?

Any person who performs services as an employee from the fees collected *could* be eligible for FICA matching. However, before reporting employees, the Master Commissioner **must** send a written request to the AOC for the approval of any staff. The Social Security Coverage and Reporting Branch **will not** match FICA for an employee that has not been approved by the AOC.

8. When will I receive my W-2?

Our office mails the W-2s before January 31st.

9. What is the latest date to receive the final report without being issued a Form W-2c (Corrected Wage and Tax Statement)?

All reports need to be received by January 10th in order to be processed in time to include with the W-2 wage and tax data. After this date, any reports submitted may result in a W-2c.

This fact sheet was designed to provide awareness of social security coverage and reporting responsibilities for Master Commissioners of the Commonwealth of Kentucky. This fact sheet should not be cited or used as authority with respect to federal employment taxes or the Administrative Office of the Court's Master Commissioner Accounting Procedures.